

Exploration on Suppliers' Perceptions towards the Multinational Enterprises' Codes of Conduct: Behind the Scenes at Indian Apparel Export Houses

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Introduction of free trade agreements have posed fundamental changes and challenges to global apparel supply chains. Multinational enterprises (MNEs) expanded businesses worldwide, particularly to developing countries, and through MNEs' investment, it was speculated that growth in the Indian apparel industry in the post-quota period would discourage suppliers from using unfair labor practices and improve poor working conditions. However, this speculation was not the case. Apparel manufacturers were often found to cut costs at the expense of working conditions and labor standards in order to compete and survive in the global marketplace. This trend became a serious concern for global stakeholders and led them to pressure MNEs to increase their efforts toward corporate accountability. In response, MNEs adopted voluntary code of conduct (CoC) encompassing guidelines, recommendations, and rules with the intent to affect the corporate behavior to enhance corporate responsibility (Kolk & Tulder, 2002).

A predominant practice in implementing the CoC is the top-down approach, where the company executives are considered as the central actors who dictate and control CoC and its implementation (Matland, 1995). On the other hand, the bottom-up approach supplements the important role of policy implementers and other actors involved in CoC implementation processes. Therefore, depending on the approach, how CoCs are formulated and implemented could vary. However, little is known as to which CoC approach are taken by apparel manufacturers who actually implement CoC policies in their own business units. Therefore this research was designed to explore policy implementers (i.e., apparel manufacturing managers' or owners') perceptions on MNEs' CoCs within the context of Indian apparel export houses. The study results were expected to offer contexts of CoC development and implementation, which could be critically important for truly effective CoC policies in India.

A qualitative method of inquiry involving semi-structured, face-to-face interviews was conducted in 2015. After the approval of Institutional Review Board, eight managers, owners, and compliance officers from eight different apparel exporters from the Northern apparel cluster in India were interviewed. On average, participants had six years of experience in apparel exports. Five of them mainly exported to the EU and three to the US and the EU. Each interview lasted 45-60 minutes in the participants' office. By the eighth interview, theme saturation occurred. In total, 21 pages of transcribed text data (single-spaced) were produced and data analysis helped gain themes within and across the participants.

Overall, six themes surfaced surrounding the (a) meaning, (b) formulation, and (c) implementation of CoCs based on the participants' CoC approaches. These approaches were then interpreted from the lenses of the managers/owners' psychological orientation: *convergent or*

divergent thinking. First, convergent thinkers in the study who used the top down approach expressed CoC as “a rulebook” (Amit, the owner of an apparel export house), while divergent thinkers who took the bottom up approach described it as “a growth plan” (Sanjay, the HR Manager). This was consistent with the literature in that convergent thinkers derive solutions by putting the available information together, while divergent thinkers tend to deploy non-traditional approaches and emphasize future visioning techniques (Puccio, 1998). Second, convergent thinkers in the study rarely described the process of CoC formulation because the company owners and managers heavily rely on “government rules” (Amit, a company owner) for policy making. This suggested that the standards and policies are typically given to the participants. While divergent thinkers described the process as an “open discussion” format (Shivam, CEO of an export house) where all participants could express their ideas and help in setting desirable standards, suggesting the high level of the receptivity to different ideas in solving a given problem (Runco, 1990). Finally, for the CoC implementation, convergent thinkers in the study described the CoC implementation as a “set procedure” (Sanjay, General Manager) where audits were conducted in every six months, policies were communicated via notices boards, and penalties were executed on policy violations within the defined boundaries. However, divergent thinkers described that the stakeholders “just sit together” to make any adjustments in their business operations (Shivam, CEO of an export house), suggesting divergent thinkers’ orientation toward flexibility and originality in problem solving (Runco, 1990).

This is one of the few studies showing how different psychological orientations toward CoC affects CoC formation and implementation at the faculty level. Typical research on CoC tends to focus on quantitative measures of working or labor condition improvement. However, this qualitative study’s findings show how the views, formulation approach, and implementation philosophy of CoCs might differ based on the psychological orientation of the factory owner or managers. Therefore, the findings suggest further research on how factory owners and managers should approach to CoCs for more effective and successful CoC implementation at the factory level. Hence further research is recommended to quantitatively measure the outcomes of CoCs based on convergent or divergent orientation of factory managers and owners may have toward CoCs.

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